

XYRATEX LTD  
Form 6-K  
June 30, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

June 30, 2010

Commission File Number:0001284823

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**XYRATEX LTD**

(Translation of registrant's name into English)

**Langstone Road,  
Havant  
PO9 1SA  
United Kingdom**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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**NEWS RELEASE**

For Immediate Release

**Xyratex Ltd Announces Results for the Second Quarter Fiscal Year 2010**

**Havant, UK June 30, 2010** Xyratex Ltd (Nasdaq: XRTX), a leading provider of enterprise class data storage subsystems and storage process technology, today announced results for the second fiscal quarter ended May 31, 2010. Revenues for the second quarter were \$455.9 million, an increase of 134.1% compared to revenues of \$194.7 million for the same period last year.

For the second quarter, GAAP net income was \$43.7 million, or \$1.39 per diluted share, compared to GAAP net loss of \$9.6 million, or \$0.33 per share, in the same period last year. Non-GAAP net income was \$46.8 million, or \$1.49 per diluted share, compared to non-GAAP net loss of \$6.6 million, or \$0.22 per share, in the same quarter a year ago (1).

Gross profit margin in the second quarter increased to 18.1%, compared to 12.9% in the same period last year, primarily due to significantly increased volumes of Storage Infrastructure products.

Revenues from our Networked Storage Solutions products were \$343.9 million as compared to \$184.3 million in the same quarter a year ago, an increase of 86.6%. Gross profit margin in the Networked Storage Solutions business was 12.8% as compared to 12.7% a year ago. Revenues from our Storage Infrastructure products were \$112.0 million as compared to \$10.5 million in the same quarter a year ago. Gross profit margin in the Storage Infrastructure business was 34.6% as compared to 18.0% a year ago.

Xyratex had an outstanding quarter with record revenue and earnings. We executed very well and were able to meet the strong demand from our customers, while continuing to invest in technologies and resources that will position us for growth going forward, said Steve Barber, CEO of Xyratex. Our priorities for the remainder of 2010 include strategic investment in new growth opportunities and securing new customers. We feel we are well positioned to capitalize on the positive industry dynamics that are creating significant

demand for our storage products.

### **Business Outlook**

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

- Revenue in the third quarter of 2010 is projected to be in the range \$385 to \$435 million.
- Fully diluted earnings per share is anticipated to be between \$0.77 and \$1.06 on a GAAP basis in the third quarter. On a non-GAAP basis fully diluted earnings per share is anticipated to be between \$0.87 and \$1.16. Non-GAAP earnings per share excludes amortization of intangible assets, equity compensation expense, specified non-recurring items and related taxation expense.

### **Conference Call/Webcast Information**

**Xyratex quarterly results conference call** will be broadcast live via the internet at <http://www.xyratex.com/investors> on Wednesday, June 30, 2010 at 1:30 p.m. Pacific Time/4:30 p.m. Eastern Time. You can also access the conference call by dialing +1 (866) 383-8008 in the United States and +1 (617) 597-5341 outside of the United States, passcode 55518071. The press release will be posted to the company web site [www.xyratex.com](http://www.xyratex.com).

**A replay will be available through** July 7, 2010 following the live call by dialing +1 (888) 286-8010 in the United States and +1 (617) 801-6888 outside the United States, replay code 69420917.

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(1) Non-GAAP net income (loss) and diluted earnings (loss) per share excludes (a) amortization of intangible assets, (b) equity compensation expense, (c) specified non-recurring items such as restructuring costs and (d) the related tax effects. Reconciliation of non-GAAP net income (loss) and diluted earnings (loss) per share to GAAP net income (loss) and GAAP diluted earnings (loss) per share is included in a table immediately following the condensed consolidated statements of cash flow below.

The intention in providing these non-GAAP measures is to provide supplemental information regarding the Company's operational performance while recognizing that

they have material limitations and that they should only be referred to with reference to the corresponding GAAP measure.

The Company believes that the provision of these non-GAAP financial measures is useful to investors and investment analysts because it enables comparison to the Company's historical operating results, those of competitors and other industry participants and also provides transparency to the measures used by management in operational and financial decision making. In relation to the specific items excluded: (a) intangible assets represent costs incurred by the acquired business prior to acquisition, are not cash costs and will not be replaced when the assets are fully amortized and therefore the exclusion of these costs provides management and investors with better visibility of the costs required to generate revenue over time; (b) equity compensation expense is non-cash in nature, is outside the control of management during the period in which the expense is incurred; (c) restructuring costs are not comparable across periods or with other companies; (d) the exclusion of the related tax effects of excluding items (a) to (c) is necessary to show the effect on net income of the change in tax expense that would have been recorded if these items had not been incurred.

### **Safe Harbor Statement**

This press release contains forward looking statements. These statements relate to future events or our future financial performance, including our projected revenue and fully diluted earnings per share data (on a GAAP and non-GAAP basis) for the third quarter. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward looking statements. Factors that might cause such a difference include our inability to compete successfully in the competitive and rapidly changing marketplace in which we operate, failure to retain key employees, cancellation or delay of projects and adverse general economic conditions in the United States and internationally. These risks and other factors include those listed under "Risk Factors" and elsewhere in our Annual Report on Form 20-F as filed with the Securities and Exchange Commission (File No. 000-50799). In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, estim potential,

continue, or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

### **About Xyratex**

Xyratex is a leading provider of enterprise class data storage subsystems and storage process technology. The company designs and manufactures enabling technology that provides OEM and disk drive manufacturer customers with data storage products to support high-performance storage and data communication networks. Xyratex has over 25 years of experience in research and development relating to disk drives, storage systems and high-speed communication protocols.

Founded in 1994 in an MBO from IBM, and with headquarters in the UK, Xyratex has an established global base with R&D and operational facilities in Europe, the United States and South East Asia.

For more information, visit [www.xyratex.com](http://www.xyratex.com).

Contacts:

### **Xyratex Investor Relations**

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**XYRATEX LTD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

|  | Three Months Ended,<br>May 31,<br>2010              |         | May 31,<br>2009 |         | Six Months Ended,<br>May 31,<br>2010 |         | May 31,<br>2009 |          |
|--|---|---------|-----------------|---------|--------------------------------------|---------|-----------------|----------|
|  | (US dollars in thousands, except per share amounts) |         |                 |         |                                      |         |                 |          |
| <b>Revenues:</b>   |   |         |                 |         |                                      |         |                 |          |
| Networked Storage Solutions  | \$  | 343,900 | \$              | 184,257 | \$                                   | 614,883 | \$              | 349,982  |
| Storage Infrastructure   |   | 111,999 |                 | 10,482  |                                      | 159,982 |                 | 28,642   |
| Total revenues   |   | 455,899 |                 | 194,739 |                                      | 774,865 |                 | 378,624  |
| Cost of revenues   |   | 373,405 |                 | 169,540 |                                      | 634,773 |                 | 332,533  |
| <b>Gross profit:</b>   |   |         |                 |         |                                      |         |                 |          |
| Networked Storage Solutions  |   | 44,070  |                 | 23,469  |                                      | 85,383  |                 | 41,858   |
| Storage Infrastructure   |   | 38,770  |                 | 1,892   |                                      | 55,406  |                 | 4,660    |
| Equity compensation  |   | (346)   |                 | (162)   |                                      | (697)   |                 | (427)    |
| Total gross profit   |   | 82,494  |                 | 25,199  |                                      | 140,092 |                 | 46,091   |
| <b>Operating expenses:</b>   |   |         |                 |         |                                      |         |                 |          |
| Research and development   |   | 21,890  |                 | 17,512  |                                      | 40,005  |                 | 36,259   |
| Selling, general and administrative  |   | 15,305  |                 | 14,833  |                                      | 26,877  |                 | 28,660   |
| Amortization of intangible assets  |   | 979     |                 | 1,011   |                                      | 1,957   |                 | 1,977    |
| Restructuring costs  |   |         |                 | 1,099   |                                      |         |                 | 4,215    |
| Total operating expenses   |   | 38,174  |                 | 34,455  |                                      | 68,839  |                 | 71,111   |
| Operating income (loss)  |   | 44,320  |                 | (9,256) |                                      | 71,253  |                 | (25,020) |
| Interest income (expense), net   |   | 5       |                 | 25      |                                      | (19)    |                 | 85       |
| Income (loss) before income taxes  |   | 44,325  |                 | (9,231) |                                      | 71,234  |                 | (24,935) |
| Provision for income taxes   |   | 663     |                 | 412     |                                      | 1,295   |                 | 836      |
| Net income (loss)  | \$  | 43,662  | \$              | (9,643) | \$                                   | 69,939  | \$              | (25,771) |
| <b>Net earnings (loss) per share:</b>  |   |         |                 |         |                                      |         |                 |          |
| Basic  | \$  | 1.45    | \$              | (0.33)  | \$                                   | 2.33    | \$              | (0.88)   |
| Diluted  | \$  | 1.39    | \$              | (0.33)  | \$                                   | 2.25    | \$              | (0.88)   |
| <b>Weighted average common shares (in thousands), used in computing net earnings (loss) per share:</b> |   |         |                 |         |                                      |         |                 |          |
| Basic  |   | 30,202  |                 | 29,462  |                                      | 29,960  |                 | 29,349   |
| Diluted  |   | 31,391  |                 | 29,462  |                                      | 31,022  |                 | 29,349   |

## XYRATEX LTD

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

|  | May 31,<br>2010                          | November 30,<br>2009 |
|--|--|----------------------|
|  | (US dollars and amounts in<br>thousands) |                      |
| <b>ASSETS</b>  |  |                      |
| <b>Current assets:</b>   |  |                      |
| Cash and cash equivalents  | \$ 58,307                                | \$ 51,935            |
| Accounts receivable, net   | 245,260                                  | 124,715              |
| Inventories  | 188,959                                  | 108,625              |
| Prepaid expenses   | 3,878                                    | 4,784                |
| Deferred income taxes  | 405                                      | 405                  |
| Other current assets   | 3,507                                    | 5,825                |
| <b>Total current assets</b>  | <b>500,316</b>                           | <b>296,289</b>       |
| Property, plant and equipment, net   | 44,072                                   | 44,485               |
| Intangible assets, net   | 5,248                                    | 7,207                |
| Deferred income taxes  | 6,075                                    | 6,269                |
| <b>Total assets</b>  | <b>\$ 555,711</b>                        | <b>\$ 354,250</b>    |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |  |                      |
| <b>Current liabilities:</b>  |  |                      |
| Accounts payable   | \$ 201,060                               | \$ 96,386            |
| Employee compensation and benefits payable   | 14,429                                   | 8,580                |
| Deferred revenue   | 31,368                                   | 10,620               |
| Income taxes payable   | 1,808                                    | 2,013                |
| Other accrued liabilities  | 17,709                                   | 17,413               |
| <b>Total current liabilities</b>   | <b>266,374</b>                           | <b>135,012</b>       |
| Long-term debt   |  |                      |
| <b>Total liabilities</b>   | <b>266,374</b>                           | <b>135,012</b>       |
| <b>Shareholders equity</b>   |  |                      |
| Common shares (in thousands), par value \$0.01 per share 70,000 authorized, 30,259 and 29,461 issued and outstanding | 303                                      | 295                  |
| Additional paid-in capital   | 377,127                                  | 370,925              |
| Accumulated other comprehensive income (loss)  | (2,452)                                  | 3,598                |
| Accumulated deficit  | (85,641)                                 | (155,580)            |
| <b>Total shareholders equity</b>   | <b>289,337</b>                           | <b>219,238</b>       |
| <b>Total liabilities and shareholders equity</b>   | <b>\$ 555,711</b>                        | <b>\$ 354,250</b>    |



**XYRATEX LTD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Six Months Ended          |                 |
|--|---------------------------|-----------------|
|  | May 31,<br>2010           | May 31,<br>2009 |
|  | (US dollars in thousands) |                 |
| <b>Cash flows from operating activities:</b>   |                           |                 |
| Net income (loss)  | \$ 69,939                 | \$ (25,771)     |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                           |                 |
| Depreciation   | 8,943                     | 9,162           |
| Amortization of intangible assets  | 1,957                     | 1,977           |
| Non-cash equity compensation   | 4,277                     | 2,472           |
| Loss on sale of assets   | 69                        |                 |
| Changes in assets and liabilities, net of impact of acquisitions and divestitures        |                           |                 |
| Accounts receivable  | (120,545)                 | 37,813          |
| Inventories  | (80,334)                  | 26,035          |
| Prepaid expenses and other current assets  | (374)                     | 1,896           |
| Accounts payable   | 104,674                   | (35,477)        |
| Employee compensation and benefits payable   | 5,849                     | (1,841)         |
| Deferred revenue   | 20,748                    | (3,459)         |
| Income taxes payable   | (10)                      | 39              |
| Deferred income taxes  | (1)                       | 1               |
| Other accrued liabilities  | (2,154)                   | (3,669)         |
| Net cash provided by operating activities  | 13,038                    | 9,178           |
| <b>Cash flows from investing activities:</b>   |                           |                 |
| Investments in property, plant and equipment   | (8,599)                   | (10,055)        |
| Net cash used in investing activities  | (8,599)                   | (10,055)        |
| <b>Cash flows from financing activities:</b>   |                           |                 |
| Proceeds from issuance of shares   | 1,933                     | 87              |
| Net cash provided by financing activities  | 1,933                     | 87              |
| Change in cash and cash equivalents  | 6,372                     | (790)           |
| Cash and cash equivalents at beginning of period   | 51,935                    | 28,013          |
| Cash and cash equivalents at end of period   | \$ 58,307                 | \$ 27,223       |

## XYRATEX LTD

## SUPPLEMENTAL INFORMATION

|   | Three Months Ended                                     |                 | Six Months Ended                                       |                 |
|---|--|-----------------|--|-----------------|
|   | May 31,<br>2010  | May 31,<br>2009 | May 31,<br>2010  | May 31,<br>2009 |
|   | (US dollars in thousands, except<br>per share amounts) |                 | (US dollars in thousands, except<br>per share amounts) |                 |
| <b>Summary Reconciliation Of GAAP Net Income (Loss)<br/>To Non-GAAP Net Income (Loss)</b>                                     |  |                 |  |                 |
| GAAP net income (loss)  | \$ 43,662  | \$ (9,643)      | \$ 69,939  | \$ (25,771)     |
| Amortization of intangible assets   | 979  | 1,011           | 1,957  | 1,977           |
| Equity compensation   | 2,120  | 942             | 4,277  | 2,472           |
| Restructuring costs   |  | 1,099           |  | 4,215           |
| Non-GAAP net income (loss)  | \$ 46,761  | \$ (6,591)      | \$ 76,173  | \$ (17,107)     |
| <b>Summary Reconciliation Of Diluted GAAP Earnings<br/>(Loss) Per Share To Diluted Non-GAAP Earnings (Loss)<br/>Per Share</b> |  |                 |  |                 |
| Diluted GAAP earnings (loss) per share  | \$ 1.39  | \$ (0.33)       | \$ 2.25  | \$ (0.88)       |
| Amortization of intangible assets   | 0.03   | 0.03            | 0.06   | 0.07            |
| Equity compensation   | 0.07   | 0.03            | 0.14   | 0.08            |
| Restructuring costs   |  | 0.04            |  | 0.14            |
| Diluted non-GAAP earnings (loss) per share  | \$ 1.49  | \$ (0.22)       | \$ 2.46  | \$ (0.58)       |
| <b>Summary Of Equity Compensation</b>   |  |                 |  |                 |
| Cost of revenues  | 346  | 162             | 697  | 427             |
| Research and development  | 706  | 317             | 1,424  | 827             |
| Selling, general and administrative   | 1,068  | 463             | 2,156  | 1,218           |
| Total equity compensation   | 2,120  | 942             | 4,277  | 2,472           |

**SIGNATURES**



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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XYRATEX LTD  
(Registrant)

Date: June 30, 2010

By: /s/ Richard Pearce  
Name: Richard Pearce  
Title: Chief Financial Officer